

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lincoln Township	County Midland
Fiscal Year End March 31, 2007	Opinion Date September 26, 2007	Date Audit Report Submitted to State September 27, 2007	

We affirm that:

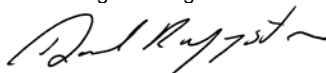
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | |
|-----|-------------------------------------|-------------------------------------|---|
| | | | Check each applicable box below. (See instructions for further detail.) |
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo CPA's		Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI
Zip 48602			
Authorizing CPA Signature 	Printed Name Dave Youngstrom	License Number A262757	

Lincoln Township

Midland County

**Annual Financial Statements
and
Auditors' Report**

March 31, 2007

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Lincoln Township
List of Elected and Appointed Officials
March 31, 2007

Township Board

Kevin Wray	Supervisor
Lorenz Hughes	Clerk
Kimberly Oswald	Treasurer
Sue Ensign	Trustee
Gary Briggs	Trustee

Independent Auditors' Report

Township Board
Lincoln Township
Midland, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Lincoln Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Midland, Michigan
September 26, 2007

Lincoln Township
Statement of Net Assets
March 31, 2007

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 492,586
Receivables	
Taxes	22,625
Customers	2,730
Due from other units of government	37,649
Prepaid items	15,690
Capital assets not being depreciated	80,000
Capital assets - net of accumulated depreciation	<u>316,040</u>
 Total assets	 <u>967,320</u>
 Liabilities	
Accrued and other liabilities	6,846
Noncurrent liabilities	
Due within one year	30,000
Due in more than one year	<u>270,000</u>
 Total liabilities	 <u>306,846</u>
 Net assets	
Invested in capital assets, net of related debt	96,040
Unrestricted	<u>564,434</u>
 Total net assets	 <u><u>\$ 660,474</u></u>

See Accompanying Notes to Financial Statements

Lincoln Township
Statement of Activities
For the Year Ended March 31, 2007

		Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 193,877	\$ 32,184	\$ -	\$ -	\$ (161,693)
Public safety	49,113	2,853	-	-	(46,260)
Public works	380,970	17,766	-	-	(363,204)
Community and economic development	34,810	-	-	-	(34,810)
Recreation and culture	10,957	-	-	-	(10,957)
Interest on long-term debt	9,085	-	-	-	(9,085)
Total primary government	<u>\$ 678,812</u>	<u>\$ 52,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(626,009)</u>
General revenues					
Property taxes					251,668
State shared revenue					169,839
Unrestricted investment earnings					21,765
Miscellaneous					<u>7,288</u>
Total general revenues and transfers					<u>450,560</u>
Change in net assets					<u>(175,449)</u>
Net assets - beginning of year					808,982
Prior period adjustment					<u>26,941</u>
Net assets - beginning of year (restated)					<u>835,923</u>
Net assets - end of year					<u><u>\$ 660,474</u></u>

See Accompanying Notes to Financial Statements

Lincoln Township
Governmental Funds
Balance Sheet
March 31, 2007

	Special Revenue Funds				Total Governmental Funds
	General	Fire Fund	Water Fund	Liquor Fund	
Assets					
Cash and cash equivalents	\$ 314,819	\$ 158,811	\$ 13,944	\$ 5,012	\$ 492,586
Receivables					
Taxes	8,910	6,938	6,777	-	22,625
Other	1,135	1,595	-	-	2,730
Due from other units of government	37,649	-	-	-	37,649
Due from other funds	2,491	23,801	-	31,209	57,501
Prepaid items	12,409	3,281	-	-	15,690
Total assets	<u>\$ 377,413</u>	<u>\$ 194,426</u>	<u>\$ 20,721</u>	<u>\$ 36,221</u>	<u>\$ 628,781</u>
Liabilities					
Accrued and other liabilities	\$ 250	\$ -	\$ 14,804	\$ -	\$ 15,054
Due to other funds	7,030	-	50,471	-	57,501
Deferred revenue	12,544	94	249	-	12,887
Total liabilities	<u>19,824</u>	<u>94</u>	<u>65,524</u>	<u>-</u>	<u>85,442</u>
Fund balances					
General fund	357,589	-	-	-	357,589
Special revenue funds	-	194,332	(44,803)	36,221	185,750
Total fund balances (deficit)	<u>357,589</u>	<u>194,332</u>	<u>(44,803)</u>	<u>36,221</u>	<u>543,339</u>
Total liabilities and fund balances	<u>\$ 377,413</u>	<u>\$ 194,426</u>	<u>\$ 20,721</u>	<u>\$ 36,221</u>	<u>\$ 628,781</u>

See Accompanying Notes to Financial Statements

Lincoln Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2007

Total fund balances for governmental funds	\$ 543,339
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	80,000
Capital assets - net of accumulated depreciation	316,040
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	12,887
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	8,208
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(300,000)</u>
Net assets of governmental activities	<u><u>\$ 660,474</u></u>

Lincoln Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

		Special Revenue Funds			
	General	Fire Fund	Water Fund	Liquor Fund	Total Governmental Funds
Revenues					
Taxes	\$ 97,566	\$ 69,514	\$ 83,918	\$ -	\$ 250,998
Licenses and permits	23,002	-	-	-	23,002
State revenue sharing	155,438	-	-	2,184	157,622
Charges for services	24,832	2,853	-	-	27,685
Fines and forfeitures	-	-	-	152	152
Interest income	10,208	4,361	7,044	-	21,613
Rental income	2,105	-	-	-	2,105
Other revenue	6,620	679	-	-	7,299
Total revenues	<u>319,771</u>	<u>77,407</u>	<u>90,962</u>	<u>2,336</u>	<u>490,476</u>
Expenditures					
Current					
General government	175,137	-	-	1,966	177,103
Public safety	-	39,433	-	-	39,433
Public works	108,670	-	272,300	-	380,970
Community and economic development	34,810	-	-	-	34,810
Recreation and culture	10,957	-	-	-	10,957
Other functions	-	-	1,074	-	1,074
Debt service					
Principal retirement	-	-	30,000	-	30,000
Interest and fiscal charges	-	-	17,293	-	17,293
Total expenditures	<u>329,574</u>	<u>39,433</u>	<u>320,667</u>	<u>1,966</u>	<u>691,640</u>
Excess (deficiency) of revenues over expenditures	<u>(9,803)</u>	<u>37,974</u>	<u>(229,705)</u>	<u>370</u>	<u>(201,164)</u>

See Accompanying Notes to Financial Statements

Lincoln Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	Special Revenue Funds				Total Governmental Funds
	General	Fire Fund	Water Fund	Liquor Fund	
Other financing sources (uses)					
Transfers in	\$ 8,000	\$ -	\$ -	\$ -	\$ 8,000
Transfers out	<u>-</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>(8,000)</u>
Total other financing sources and uses	<u>8,000</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(1,803)</u>	<u>29,974</u>	<u>(229,705)</u>	<u>370</u>	<u>(201,164)</u>
Fund balance - beginning of year	333,048	163,761	184,902	35,851	717,562
Prior period adjustment	<u>26,344</u>	<u>597</u>	<u>-</u>	<u>-</u>	<u>26,941</u>
Fund balance - beginning of year restated	<u>359,392</u>	<u>164,358</u>	<u>184,902</u>	<u>35,851</u>	<u>744,503</u>
Fund balance (deficit) - end of year	<u><u>\$ 357,589</u></u>	<u><u>\$ 194,332</u></u>	<u><u>\$ (44,803)</u></u>	<u><u>\$ 36,221</u></u>	<u><u>\$ 543,339</u></u>

Lincoln Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - Total governmental funds \$ (201,164)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (25,380)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

State shared revenue 12,217
Property taxes 670

Expenses are recorded when incurred in the statement of activities

Accrued interest 8,208

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt 30,000

Change in net assets of governmental activities \$ (175,449)

Lincoln Township
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2007

	Tax Fund
Assets	
Cash and cash equivalents	\$ <u>1,421</u>
Liabilities	
Due to other units of government	\$ <u>1,421</u>

See Accompanying Notes to Financial Statements

Lincoln Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Lincoln Township is governed by an elected five-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Lincoln Township

Notes to Financial Statements

March 31, 2007

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for fire protection.

The Water Fund is a Special Revenue Fund that receives an extra voted millage and is used to maintain the townships water lines and pay the principal and interest on the water bonds.

The Liquor Fund is a Special Revenue Fund that receives revenue from the State of Michigan for the inspection, on behalf of the State, of local business establishments with liquor licenses.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$70,633,606, on which ad valorem taxes consisted of 1.2688 mills for operating purposes. This resulted in \$89,909 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	25 years
Office equipment computer equipment	3 to 5 years

Long-term obligations – Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Lincoln Township

Notes to Financial Statements

March 31, 2007

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess Expenditures over Appropriations

During the year, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Expenditures	Variance
General Fund			
Public works	\$ 89,650	\$ 108,670	\$ 19,020
Fire Fund			
Transfers out	-	8,000	8,000
Water Fund			
Public works	238,778	272,300	33,522
Other functions	50	1,074	1,024

The Township has a deficit fund balance in the Water Fund. The Township plans to eliminate the deficit through future operations and tax collections.

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 492,586
Fiduciary funds	<u>1,421</u>
Total	<u>\$ 494,007</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	<u>\$ 492,586</u>	<u>\$ 1,421</u>

Lincoln Township

Notes to Financial Statements

March 31, 2007

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 353,585 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the government's investment policy, the government's investments are held by a counterparty and are not insured.

Note 4 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
State shared revenue	\$ 12,217
Property taxes	<u>670</u>
	<u>\$ 12,887</u>

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets being depreciated				
Buildings, additions and improvements	600,000	-	-	600,000
Machinery and equipment	113,300	-	-	113,300
Vehicles	322,000	-	-	322,000
Total capital assets being depreciated	<u>1,035,300</u>	<u>-</u>	<u>-</u>	<u>1,035,300</u>
Less accumulated depreciation for				
Buildings, additions and improvements	420,000	15,000	-	435,000
Machinery and equipment	112,600	700	-	113,300
Vehicles	161,280	9,680	-	170,960
Total accumulated depreciation	<u>693,880</u>	<u>25,380</u>	<u>-</u>	<u>719,260</u>
Net capital assets being depreciated	<u>341,420</u>	<u>(25,380)</u>	<u>-</u>	<u>316,040</u>
Governmental activities capital assets, net	<u>\$ 421,420</u>	<u>\$ (25,380)</u>	<u>\$ -</u>	<u>\$ 396,040</u>

Lincoln Township
Notes to Financial Statements
March 31, 2007

Depreciation expense was charged to programs of the primary government as follows:

Transfers are used to reimburse the general fund for administrative costs.

Governmental activities

General government	\$ 15,700
Public safety	<u>9,680</u>
Total governmental activities	<u>\$ 25,380</u>

Note 6 - Interfund Receivables, Payable, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other funds		
General	Water	\$ 2,491
Fire	Water	17,133
Fire	General	6,668
Liquor	General	362
Liquor	Water	<u>30,847</u>
		<u>\$ 57,501</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Fire	General	<u>\$ 8,000</u>

Lincoln Township
Notes to Financial Statements
March 31, 2007

Note 7 - Long-Term Debt

The government issues bonds to provide for the installation and maintenance of water lines. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
Revenue Bonds, dated October 17, 1991	\$ 330,000	11/1/2016	4.7% - 6.88%	\$15,000 - \$25,000	\$ 240,000	\$ -	\$ 15,000	\$ 225,000	\$ 15,000
Midland County Water Supply System									
Bonds dated June 1, 1996	200,000	5/1/2011	5.5% - 5.75%	\$ 15,000	90,000	-	15,000	75,000	15,000
 Total governmental activities					<u>\$ 330,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 300,000</u>	<u>\$ 30,000</u>

Lincoln Township
Notes to Financial Statements
March 31, 2007

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2008	\$ 30,000	\$ 19,286
2009	35,000	17,423
2010	35,000	15,204
2011	35,000	12,976
2012	40,000	10,744
2013-2016	<u>125,000</u>	<u>25,781</u>
	<u>\$ 300,000</u>	<u>\$ 101,414</u>

Note 8 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Employee Retirement and Benefit Systems

Simplified Employee Pension Plan

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report

may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 7 percent of gross wages for all covered employees.

Annual pension costs – For year ended 2007, the government's annual pension cost of \$17,787 for the plan was equal to the required and actual contribution. The annual required contribution was determined from the estimated annual employee compensation amounts for the following year.

Note 10 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 11 - Prior Period Adjustment

Prior period adjustments were made as follows:

Certificates of deposit – The General and Fire fund did not recognize accrued interest in the prior year. The amounts were \$444 and \$597, respectively.

State shared revenue – In the General Fund, state shared revenue had been recognized when received rather than when earned. Following the modified accrual method of accounting revenue in the amount of \$25,900 had to be recognized as prior year state shared revenue.

Lincoln Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 90,415	\$ 90,415	\$ 97,566	\$ 7,151
Licenses and permits	20,300	20,300	23,002	2,702
State revenue sharing	157,656	157,656	155,438	(2,218)
Charges for services	18,226	18,226	24,832	6,606
Interest income	2,400	2,400	10,208	7,808
Rental income	2,500	2,500	2,105	(395)
Other revenue	5,613	5,613	6,620	1,007
Transfer in	-	-	8,000	8,000
Total revenues	297,110	297,110	327,771	30,661
Expenditures				
General government				
Township board	74,550	74,550	67,574	(6,976)
Supervisor	21,164	21,164	19,749	(1,415)
Clerk	23,189	23,189	21,413	(1,776)
Board of review	2,200	2,200	1,852	(348)
Treasurer	28,375	28,375	27,642	(733)
Assessor	23,500	23,500	19,241	(4,259)
Elections	2,650	2,650	4,580	1,930
Buildings and grounds	22,500	22,500	13,086	(9,414)
Total general government	198,128	198,128	175,137	(22,991)

Lincoln Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public works				
Highways, streets and bridges	\$ 63,050	\$ 63,050	\$ 85,248	\$ 22,198
Sanitary land fill	26,600	26,600	23,422	(3,178)
Total public works	89,650	89,650	108,670	19,020
Community and economic development				
Zoning	41,750	41,750	34,810	(6,940)
Recreation and culture				
Library	12,000	12,000	10,957	(1,043)
Total expenditures	341,528	341,528	329,574	(11,954)
Excess (deficiency) of revenues over expenditures	(44,418)	(44,418)	(1,803)	42,615
Fund balance - beginning of year	333,048	333,048	333,048	-
Prior period adjustment	26,344	26,344	26,344	-
Fund balance - beginning of year (restated)	359,392	359,392	359,392	-
Fund balance - end of year	\$ 314,974	\$ 314,974	\$ 357,589	\$ 42,615

Lincoln Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 63,000	\$ 63,000	\$ 69,514	\$ 6,514
Charges for services	-	-	2,853	2,853
Interest income	700	700	4,361	3,661
Other revenue	-	-	679	679
	<u>63,700</u>	<u>63,700</u>	<u>77,407</u>	<u>13,707</u>
Total revenues				
Expenditures				
Current				
Public safety	60,742	60,742	39,433	(21,309)
Transfers out	-	-	8,000	8,000
	<u>60,742</u>	<u>60,742</u>	<u>47,433</u>	<u>(13,309)</u>
Total expenditures				
Excess of revenues over expenditures	<u>2,958</u>	<u>2,958</u>	<u>29,974</u>	<u>27,016</u>
Fund balance - beginning of year	163,761	163,761	163,761	-
Prior period adjustment	<u>597</u>	<u>597</u>	<u>597</u>	<u>-</u>
Fund balance - beginning of year (restated)	<u>164,358</u>	<u>164,358</u>	<u>164,358</u>	<u>-</u>
Fund balance - end of year	<u>\$ 167,316</u>	<u>\$ 167,316</u>	<u>\$ 194,332</u>	<u>\$ 27,016</u>

Lincoln Township
Required Supplemental Information
Budgetary Comparison Schedule
Water Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 78,000	\$ 78,000	\$ 83,918	\$ 5,918
Interest income	1,700	1,700	7,044	5,344
Total revenues	79,700	79,700	90,962	11,262
Expenditures				
Current				
Public works	238,778	238,778	272,300	33,522
Other functions	50	50	1,074	1,024
Debt service				
Principal retirement	36,000	36,000	30,000	(6,000)
Interest and fiscal charges	18,000	18,000	17,293	(707)
Total expenditures	292,828	292,828	320,667	27,839
Deficiency of revenues under expenditures	(213,128)	(213,128)	(229,705)	(16,577)
Fund balance - beginning of year	184,902	184,902	184,902	-
Fund balance (deficit) - end of year	\$ (28,226)	\$ (28,226)	\$ (44,803)	\$ (16,577)

Lincoln Township
Required Supplemental Information
Budgetary Comparison Schedule
Liquor Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State revenue sharing	\$ 2,800	\$ 2,800	\$ 2,184	\$ (616)
Interest income	-	-	152	152
Total revenues	2,800	2,800	2,336	(464)
Expenditures				
Current				
General government	2,800	2,800	1,966	(834)
Excess of revenues over expenditures	-	-	370	370
Fund balance - beginning of year	35,851	35,851	35,851	-
Fund balance - end of year	\$ 35,851	\$ 35,851	\$ 36,221	\$ 370

Lincoln Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2007

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Governmental Activities					
Revenue Bonds, dated October 17, 1991 in the amount of \$330,000		5/1/2007		\$ 7,734	\$ 7,734
	6.875%	11/1/2007	\$ 15,000	7,734	22,734
		5/1/2008		7,219	7,219
	6.875%	11/1/2008	20,000	7,219	27,219
		5/1/2009		6,531	6,531
	6.875%	11/1/2009	20,000	6,531	26,531
		5/1/2010		5,844	5,844
	6.875%	11/1/2010	20,000	5,844	25,844
		5/1/2011		5,156	5,156
	6.875%	11/1/2011	25,000	5,156	30,156
		5/1/2012		4,297	4,297
	6.875%	11/1/2012	25,000	4,297	29,297
		5/1/2013		3,438	3,438
	6.875%	11/1/2013	25,000	3,438	28,438
		5/1/2014		2,578	2,578
	6.875%	11/1/2014	25,000	2,578	27,578
		5/1/2015		1,719	1,719
	6.875%	11/1/2015	25,000	1,719	26,719
		5/1/2016		859	859
	6.875%	11/1/2016	25,000	859	25,859
			<u>\$ 225,000</u>	<u>\$ 90,750</u>	<u>\$ 315,750</u>

Lincoln Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2007

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Midland County Water Supply System Bonds dated June 1, 1996 in the amount of \$200,000	5.500%	5/1/2007	\$ 15,000	\$ 2,115	\$ 17,115
		11/1/2007		1,703	1,703
	5.600%	5/1/2008	15,000	1,703	16,703
		11/1/2008		1,283	1,283
	5.650%	5/1/2009	15,000	1,283	16,283
		11/1/2009		859	859
	5.700%	5/1/2010	15,000	859	15,859
		11/1/2010		431	431
	5.750%	5/1/2011	15,000	431	15,431
			<u>\$ 75,000</u>	<u>\$ 10,667</u>	<u>\$ 85,667</u>